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A STUDY ON THE PREFERENCES OF GOVERNMENT EMPLOYEES TOWARDS VARIOUS TYPES OF SALARY-LINKED LOANS

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Abstract:

Salary-linked loans have become an essential financial instrument for government employees, providing access to credit based on their regular salaries. This study aims to examine the preferences of government employees in Cochin towards different types of salary-linked loans, including personal loans, housing loans, vehicle loans, and consumer durable loans. A total of 100 government employees were selected using random sampling, with a larger representation of male employees to reflect the workforce composition. Data were collected using structured interview schedules and analyzed with statistical tools such as simple percentage analysis, Chi-square test, and Garrett ranking method. The study found that personal and housing loans are the most preferred types, while awareness about vehicle and consumer durable loans is moderate. Factors such as interest rates, repayment flexibility, and quick processing play a crucial role in shaping loan preferences.

Key Words: Government employees, salary-linked loans, preferences, personal loans, housing loans, financial decisions, awareness, etc.,

Introduction:

Government employees in Cochin have stable salaries, which makes them eligible for salary-linked loans offered by banks and financial institutions. Salary-linked loans provide convenience, financial security, and structured repayment options deducted directly from the employee's salary. These loans are popular for meeting both planned expenses (like housing, education, and vehicle purchases) and unplanned financial emergencies. Despite their advantages, employees often face difficulties in selecting the most suitable loan due to varying interest rates, repayment periods, processing times, and limited awareness about available schemes. Understanding the preferences of government employees is crucial for banks to design appropriate products and for employees to make informed financial decisions.

Types of Salaried - Type Loans:

- Personal Loan - Unsecured loan given based on salary, employment, and credit score; used for any personal purpose like travel, medical expenses, or weddings.
- Home Loan - For purchasing, constructing, or renovating a house; repayment tenure usually long-term (up to 30 years).
- Car Loan / Vehicle Loan - For purchasing a new or used car, two-wheeler, or other personal vehicles.
- Consumer Durable Loan - For buying household appliances like washing machines, TVs, or refrigerators with easy EMIs.
- Education Loan - For funding higher education of self or dependents, repayable after the course completion.
- Credit Card Loan - Loan against your credit card limit, repayable in monthly installments.
- Loan Against Salary - Short-term loan directly linked to monthly income; repayment usually done through salary deductions.
- Loan against Fixed Deposit / Securities - For salaried employees who need quick funds without breaking their investment.
- Top-Up Loan - Additional loan taken on an existing home or personal loan for extra financial needs.
- Emergency / Instant Salary Advance Loan - Offered by fintech apps for immediate financial needs until the next payday.

Review of Literature:

Reddy and Thomas conducted a study on the "Role of Salary-Linked Loans in Financial Planning among Government Employees" and found that employees preferred salary-deducted loans due to their convenience and minimal documentation requirements. The study revealed that such loans help employees manage emergency expenses and long-term investments effectively. However, it also emphasized the need for better awareness regarding different loan types and repayment options.

Sharma and Mehta analyzed the "Awareness and Challenges of Salary-Linked Loans" and observed that while most employees were aware of basic loan schemes, many lacked detailed knowledge about repayment options, interest rate variations, and loan transfer facilities. The authors suggested that banks should improve communication channels and provide transparent information to enhance employees' decision-making capabilities.

Narayanan and Devi investigated "Impact of Financial Literacy on Loan Borrowing Behaviour among Public Sector Employees." The results showed that employees with higher financial literacy made better borrowing decisions, considering long-term repayment capacities and interest implications. The study concluded that financial literacy plays a mediating role between income level and loan preference.

Prakash's research titled "Determinants of Loan Preference among Government Staff" found that convenience, lower interest rates, and direct salary deduction are the most attractive features of salary-linked loans. However, the study reported dissatisfaction among employees regarding loan approval time and lack of flexibility in repayment schedules.

Rajesh studied "Loan Utilization and Repayment Behaviour of Government Employees." The study revealed that while most employees used loans for genuine purposes such as housing or education, some diverted funds for non-essential expenditures. It also showed that loan repayment discipline was higher among employees with salary deduction systems, proving the reliability of salary-linked mechanisms.

Significance of the Study:

- Helps financial institutions understand the types of loans most preferred by government employees.
- Highlights factors influencing loan selection, such as interest rates, repayment flexibility, and processing speed.
- Informs policy and product development to better meet the financial needs of employees.
- Contributes to knowledge about how salary-linked loans influence overall financial planning among employees.

Statement of the Problem:

Gold has traditionally been one of the most preferred investment options in India due to its cultural significance, safety, and long-term value. However, the rapid growth of fintech platforms has introduced digital gold as a convenient and accessible alternative, particularly appealing to young, tech-savvy investors. Despite its increasing popularity, there is limited understanding of the factors that drive young investors to choose digital gold over physical gold. Questions regarding trust, security, ease of use, technological awareness, and perceived benefits continue to influence investment decisions. This study seeks to address this gap by examining the determinants behind young investors' preference for digital gold, providing insights into how fintech innovations are reshaping traditional investment patterns and influencing modern financial behavior.

Objectives of the Study:

- To identify the preferences of government employees towards different types of salary-linked loans.
- To examine the relationship between demographic factors and loan preferences.
- To provide suggestions to financial institutions for improving salary-linked loan schemes.

Limitations of the Study:

- The study is restricted to 100 respondents in Cochin and may not reflect all government employees in other regions.
- Data is based on self-reported responses and may be subject to bias.
- Statistical tools used have inherent limitations and may not capture all behavior of the respondents.

Research Methodology:

The present study is descriptive in nature, aimed at analyzing the preferences of government employees towards various types of salary-linked loans and understanding the demographic factors influencing their borrowing behavior.

- Research Design: The study adopts a descriptive research design to describe the characteristics and preferences of government employees regarding different types of salary-linked loans.
- Area of the Study: The study was conducted among government employees working in Cochin.
- Sampling Technique: A convenient sampling method was used to select the respondents for the study.
- Sample Size: The total sample size of the study is 100 respondents.
- Data Collection: Primary data were collected through a structured questionnaire distributed among government employees. Secondary data were collected from journals, research papers, books, and online sources related to salary-linked loans and financial behavior.
- Tools for Analysis: The collected data were analyzed using simple percentage analysis, Garrett ranking technique, and Chi-square test to identify relationships between demographic factors and loan preferences.

Limitations of the Study:

- The study is limited to 100 government employees in Cochin, and the findings cannot be generalized to all regions.
- The responses are based on the personal opinions of the employees, which may be subjective.
- Time constraints restricted the study's sample size and coverage.

Analysis and Interpretation:

Table 1: Demographic Profile of Respondents

Particulars	Classification	No. of Employees	Percentage
Gender	Male	60	60%
	Female	40	40%
Age	Up to 25 years	18	18%
	26-35 years	36	36%
	36-50 years	30	30%
	Above 50 Years	16	16%
Educational Qualification	Graduate	55	55%
	Postgraduate	35	35%
	Others	10	10%
Monthly Income (Rs.)	Up to 40,000	22	22%
	40,001-70,000	38	38%
	70,001-100,000	30	30%
	Above 100,000	10	10%

The analysis of the personal profile of respondents reveals that out of 100 employees surveyed, 60% are male and 40% are female, indicating that the majority of the respondents are men. In terms of age, 36% of the employees belong to the 26-35 years category, followed by 30% in the 36-45 years group, 18% below 25 years, and 16% above 50 years. This shows that a significant portion of the respondents are young and middle-aged employees, reflecting an active working population.

Regarding educational qualification, 55% of the respondents are graduates, 35% are postgraduates, and 10% belong to other categories, which implies that most respondents possess higher educational qualifications. Concerning monthly income, 38% of the employees earn between ₹40,001 and ₹70,000, followed by 30% earning between ₹70,001 and ₹1,00,000, 22% earning up to ₹40,000, and 10% earning above ₹1,00,000. This indicates that a majority of respondents fall under the middle-income group.

Table 2: Preferences of Salary-Linked Loans - Garrett Ranking Analysis

Type of Loan	Average Garrett Score	Rank
Personal Loan	76.4	I
Home Loan	72.8	II
Car / Vehicle Loan	63.2	III
Consumer Durable Loan	57.6	IV
Education Loan	51.4	V
Credit Card Loan	46.8	VI
Loan Against Salary	44.2	VII
Loan Against Fixed Deposit / Securities	39.5	VIII
Top-Up Loan	36.7	IX
Emergency / Instant Salary Advance Loan	32.4	X

The Garrett ranking analysis indicates that personal loans hold the first rank with the highest average score of 76.4, showing that they are the most preferred salary-linked loan among government employees. This preference may be due to their flexibility, minimal documentation, and quick approval process. Home loans rank second with a score of 72.8, reflecting employees' long-term financial goals of owning or improving property. Vehicle loans occupy the third rank with a score of 63.2, suggesting moderate preference, as many employees view vehicle ownership as a necessity for daily commuting. Consumer durable loans rank fourth with a score of 57.6, indicating their use for purchasing household appliances and gadgets. Education loans stand at fifth place with a score of 51.4, implying limited demand, possibly because many employees have completed their education or have alternative funding sources. Among the remaining categories, credit card loans, loans against salary, and loans against fixed deposits are ranked lower, showing lower utilization rates. Top-up loans and instant salary advance loans hold the ninth and tenth ranks respectively, as they cater to specific or emergency financial situations.

Table 3: Relationship Between Demographics and Loan Preferences

Factors	χ^2 Value	Table Value	Remarks
Gender	7.12	5.991	S
Age	6.85	9.488	NS
Educational Qualification	10.56	9.488	S
Monthly Income	8.03	9.488	NS

The chi-square analysis examines the relationship between demographic factors and loan preferences among government employees. The calculated chi-square value for gender is 7.12, which is higher than the table value of 5.991, indicating a significant relationship. This shows that gender influences the preference for different types of salary-linked loans, suggesting that male and female employees differ in their borrowing patterns. The chi-square value for age is 6.85, which is lower than the table value of 9.488, showing no significant relationship. This implies that age does not have a major influence on the preference for salary-linked loans. Similarly, the chi-square value for monthly income is 8.03, which is also lower than the table value of 9.488, indicating no significant association between income level and loan preference. However, the chi-square value for educational qualification is 10.56, which exceeds the table value of 9.488, signifying a significant relationship. This suggests that educational qualification affects the type of loans preferred by employees, possibly because higher-educated individuals are more aware of various loan options and repayment terms.

Suggestions for the Study:

- Financial institutions should design customized loan schemes for government employees based on their income level and repayment capacity.
- Awareness programs can be conducted to educate employees about the benefits, interest rates, and repayment options of different types of salary-linked loans.
- Simplifying documentation and approval procedures can encourage more employees to avail salary-linked loans.
- Offering flexible repayment options and lower interest rates can improve employee satisfaction and reduce financial stress.
- Banks can introduce digital platforms and mobile applications to make the loan application and repayment process faster and more transparent.

Conclusion:

The study concludes that government employees in Cochin prefer salary-linked loans that offer convenience, low interest rates, and flexible repayment terms. Personal and housing loans are the most favored options. Awareness about vehicle, consumer durable, and education loans is comparatively lower. Financial institutions should focus on increasing awareness and customizing loan products according to employee needs. Understanding these preferences can help employees make informed financial decisions and help banks design better-targeted financial products.

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